

Wuskwatim

PROJECT DEVELOPMENT AGREEMENT

Review



Nisichawayasihk Cree Nation – October 2009 Vol. 1 No. 1

The Wuskwatim Project Has Already Generated Benefits for NCN

The Wuskwatim project has been underway now for over three and a quarter years following signing of the Project Development Agreement in June 2006. It is expected the first turbine will start operating in the fall of 2011 (called Final Closing in the PDA), about nine months sooner than originally projected. The other two turbines will become operational about six months later.

This earlier schedule presents both challenges and opportunities for NCN. The challenge is that we must finalize our investment decision earlier and make our final payment for our units earlier. The benefit is that the partnership should receive revenues earlier than originally anticipated.

The project has already generated benefits as more than 250 NCN Citizens have obtained employment on the project. In addition, we obtained several critical business opportunities through direct negotiated contracts. The primary long-term benefit is maintaining our 33% ownership of the partnership units. NCN has already paid for about 11% of our units and is continuing to work on acquiring the funds to pay for the rest.

PDA Review to Ensure NCN Gets Maximum Benefits from Its Wuskwatim Investment

The Wuskwatim Implementation Office is coordinating a review of the Wuskwatim Project Development Agreement (PDA) to ensure its terms continue to meet the needs and expectations of NCN Citizens given changes in the global economy. This review is not intended to reopen the PDA but could possibly result in a supplementary agreement with additional options to the original PDA.

Outside Factors are Potentially Influencing the Project

Since NCN Citizens voted to ratify the PDA, the following has occurred:

- The value of the Canadian dollar has changed
- The cost of the project has significantly increased
- The global economic recession (which just appears to be ending)
- The recent ratification of the Joint Keeyask Development Agreement

Before finalizing our investment decision in 2011, Chief and Council decided it was important to conduct a thorough review of our PDA in relation to these and other factors to make sure NCN will achieve the benefits we expected from the project.

Review Process Includes Citizen Participation

NCN has negotiated a review process with Manitoba Hydro which includes funding for community consultation and analysis. The review process now



underway is expected to be complete in the early spring of 2010. Meetings with our Citizens will take place in October and the winter and spring of 2010. The initial consultation meetings will be held in Nelson House, Thompson, South Indian Lake, Leaf Rapids and Winnipeg.

Your Participation is Important

You are encouraged to take part in the review process by attending meetings and keeping informed through the information that will be provided. This newsletter will give you some basic information about the process and issues. If you have questions, please contact the Wuskwatim Implementation Office. As in the past, we will endeavour to provide answers in future publications to all questions that are asked by our Citizens.





Why the PDA Review Is Necessary

Following approval of the PDA in 2006, major changes in the global economy have taken place that could impact our investment in the Wuskwatim project. Chief and Council always planned to undertake various due-diligence analysis as a part of the investment decision NCN must make before Final Closing (when the first turbine becomes operational in the fall of 2011). Once the PDA Review is completed, Chief and Council will undertake an investment-decision process to discuss options with the community. In this way we can make an informed decision about whether or not we want to continue to be partners with Manitoba Hydro in the Wuskwatim project. If we do, then we will be required to make the final cash payments for our partnership units before the first turbine starts operating.

The Fluctuating Value of the Canadian Dollar Compared to the U.S. Dollar

The value of the Canadian Dollar is important because it affects the capital costs as well as potential profits from the sale of Wuskwatim power. The higher the value of the Canadian dollar, the less opportunity for profit from Wuskwatim because the power generated is designated for export and is sold in U.S. dollars. When negotiations began



in 1998, the Canadian dollar was trading at about \$.70 U.S. Since then, the dollar has dipped as low as \$.62 and risen as high as \$1.10 but has been trading above \$.90 in recent months. This factor may be off-set by other factors and therefore, it is important to continually reassess these factors.

Changes in the Global Economy

The near collapse of the global economy that occurred last fall is unprecedented. It is predicted that recovery from this recession will take several years. Whether or not Wuskwatim



will be affected in the longer term needs to be assessed, particularly in light of the safeguards built into the PDA to protect NCN.

Escalating Construction Costs

Wuskwatim construction costs are important because they affect how much NCN must invest in the project and potentially how long it will take NCN to pay off its loans. Early in negotiations, the Wuskwatim project was estimated to cost \$600 million. One year before the PDA was signed, the expected cost rose to \$800 million. At the time the PDA was signed, costs were estimated to be \$1 billion – up 25 percent. Since construction began the estimated cost has increased to \$1.2 billion, up another 20 percent. Cost increases have been attributed to increasing costs for building materials like steel and concrete over the planning and approval period.

The Joint Keeyask Development Agreement

On May 29, 2009 Manitoba Hydro signed the Joint Keeyask Development Agreement with Fox Lake Cree Nation, Tataskweyak Cree Nation, War Lake First Nation and York Factory First Nation. Since the Wuskwatim PDA was the first of its kind, NCN realized the Keeyask agreement might include some refinements to the process worth examining.

Although NCN knows the Keeyask and Wuskwatim projects differ in scope and participation, Chief and Council want to compare the Keeyask agreement in relation to the Wuskwatim agreement to understand any differences in benefits and returns. The purpose is to ensure NCN receives maximum benefits from the Wuskwatim Project.



Commercial Terms and Employment Are the Main Focus of the PDA Review

The PDA Review will focus on two critical areas: commercial terms and operational employment.

Commercial Terms cover those areas of the PDA including:

- How the profits will be divided
- Anything to do with how the partners work out the commercial deal
- Different ways NCN can participate in obtaining long term revenue from the project such as common shares or preferred shares
- Timing of final payment for partnership units - at Final Closing, when the first turbine comes on or some later date.

Operational Employment covers how NCN can take advantage of employment within the larger Hydro corporation – not just in the north or on Wuskwatim – and the types of job opportunities that will be available.

To date, NCN’s primary focus has been on operational employment issues. NCN identified the following as its critical priorities:

- ATEC sustainability and financial stability
- Establishing a top-notch HR department for our Cree Nation
- Development of a skilled NCN labour force
- Improving academic standards and achievement.

NCN Review Teams Established

NCN has established two teams of people to work on the PDA review. The teams, made up of Members of Council, professional advisors and relevant NCN organization members, will focus on the key areas of the review: Commercial Terms and Operational Employment.

Developing Employment and Capacity Initiatives

NCN has determined that the Operational Employment Review should take part in two phases in order to meet the four key goals identified.

Phase I will involve an evaluation of ATEC to determine what has been successful and what needs improvement. It will also involve a comprehensive community-skills inventory so that we can obtain accurate information about our Citizens levels of education, employment experience and interest. NCN wants to hire additional community consultants to conduct community surveys to obtain this important information. Opportunities would also be available for our Citizens to obtain academic testing to determine their current level of academic achievement. We hope to be able to

obtain critical information for the majority of our Citizens who are between the ages of 15 and 49. The information obtained during this phase will be used to develop a supplementary agreement related to operational employment over the next decade or more.

It is anticipated that Phase I will take about a year to complete. Updated information will be available throughout the PDA Review process.

Fulfilling this commitment in the PDA presents challenges for NCN in terms of the kinds of jobs that would be offered and educational, training and employment skills that NCN Citizens must have



to qualify for those jobs. We hope as many people as possible will participate in the community-skills inventory. We look forward to obtaining your input during this critical first phase.



October PDA Review Meeting Schedule Set

NCN Citizen consultation is an important part of the PDA Review process. The following dates, times and locations have been confirmed for the October PDA Review consultation meetings:

Nisichawayasihk Cree Nation Citizens are invited to attend the first round of public meetings to review the Wuskwatim Project Development Agreement. Lunch or dinner will be provided.

Nelson House	Tuesday, October 13	4:00 p.m. - 8:00 p.m.	Duncan Wood Memorial Hall
Thompson	Wednesday, October 14	5:00 p.m. - 9:00 p.m.	Juniper Centre
Leaf Rapids	Thursday, October 15	10:00 a.m. - 1:00 p.m.	Council Chambers
South Indian Lake	Thursday, October 15	4:00 p.m. - 8:00 p.m.	Community Hall
Winnipeg	Tuesday, October 20	5:00 p.m. - 9:00 p.m.	Thunderbird House

For information about the PDA Review, or to arrange a ride to the meetings, please call the Wuskwatim Implementation Office in Nelson House (204) 484-2414 or toll free (866) 590-0021, or visit www.ncncree.com



Further Consultation Meetings Set for Winter and Spring 2010

Besides the October PDA Review meetings, two additional sets of meeting are tentatively planned for the winter (January or February) and spring (March or April) 2010. Information will be sent out in advance.



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